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0000016066

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

MARC SPITZER, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

Arizona Corporation Commission

**DOCKETED**

**DEC 03 2004**

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IN THE MATTER OF THE APPLICATION  
OF ARIZONA PUBLIC SERVICE  
COMPANY FOR A HEARING TO  
DETERMINE THE FAIR VALUE OF THE  
UTILITY PROPERTY OF THE COMPANY  
FOR RATEMAKING PURPOSES, TO FIX A  
JUST AND REASONABLE RATE OF  
RETURN THEREON, TO APPROVE RATE  
SCHEDULES DESIGNED TO DEVELOP  
SUCH RETURN, AND FOR APPROVAL OF  
PURCHASED POWER CONTRACTS

DOCKET NO. E-01345A-03-0437

**ARIZONA PUBLIC SERVICE COMPANY'S  
NOTICE OF FILING REQUESTED INFORMATION**

Arizona Public Service Company ("APS") hereby files additional information  
requested by one or more of the Commissioners during the hearing in the above  
referenced docket.

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1 RESPECTFULLY SUBMITTED this 3<sup>rd</sup> day of December, 2004.

2 PINNACLE WEST CAPITAL  
3 CORPORATION LAW DEPARTMENT

4  
5 By: Karilee S. Ramaley  
6 Thomas L. Mumaw  
7 Karilee S. Ramaley  
8 Attorneys for Arizona Public  
9 Service Company

10 The original and 10 copies of the foregoing were  
11 filed this 3<sup>rd</sup> day of December, 2004 with:

12 Docket Control  
13 Arizona Corporation Commission  
14 1200 West Washington  
15 Phoenix, AZ 85007.

16 Copies of the foregoing mailed, faxed or  
17 transmitted electronically this  
18 3<sup>rd</sup> day of December, 2004 to:

19 All parties of record.

20 Vicki DiCola  
21 Vicki DiCola  
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**AGREEMENT ON THE POWER SUPPLY ADJUSTOR TREATMENT OF  
SYSTEM BOOK OFF-SYSTEM SALES REVENUE**

The affected parties to the proposed settlement agree that the treatment of the System Book Off-System Sales Revenue included in the Power Supply Adjustor described in Section IV of the August 18, 2004 Settlement Agreement filed in Arizona Corporation Commission Docket No. E-01345A-03-0437 will be as described and shown on following pages of this exhibit.

Dated this 3rd day of December, 2004.

ARIZONA CORPORATION COMMISSION  
STAFF

By Christopher Kempley

ARIZONANS FOR ELECTRIC CHOICE &  
COMPETITION

By Kevin C. Lopez

ARIZONA PUBLIC SERVICE COMPANY

By Debra M. Anderson

RESIDENTIAL UTILITY/CONSUMER OFFICE

By Scott W. [Signature]

**Description of the Power Supply Adjustor's Treatment of System Book Off-System Sales Revenue**

The Power Supply Adjustor includes the off-system sales revenue in the calculation of the Net Power Supply Cost. The monthly Net Power Supply Cost is the monthly Total System Book Fuel and Purchased Power Costs less the System Book Off-System Sales Revenue. The Off-System Sales Revenue includes the off-system sales using APS owned, or contracted, generation and purchased power related to optimizing the APS system. An example of this calculation is shown below.

**ARIZONA PUBLIC SERVICE COMPANY**  
**Example PSA Calculation Methodology to Illustrate Treatment of Off-System Sales**

Line No.	Month	(a) Retail Energy Sales (kWh)	(b) Native Load Wholesale Energy Sales (kWh)	(c) Total Native Load Energy Sales (kWh)	(d) Total System Book Fuel and Purchased Power Costs	(e) System Book Off-System Sales Revenue	(f) Total Net Power Supply Cost
				(a + b)			(d - e)
1	January	1,963,130,000	14,210,000	1,977,340,000	\$ 47,969,280	\$ 19,289,000	\$ 28,680,280
2	February	1,801,819,000	16,451,000	1,818,270,000	\$ 40,807,680	\$ 15,833,000	\$ 24,974,680
3	March	1,712,984,000	14,840,000	1,727,824,000	\$ 38,738,880	\$ 13,319,000	\$ 25,419,880
4	April	1,665,949,000	30,025,000	1,695,974,000	\$ 43,948,800	\$ 7,099,000	\$ 36,849,800
5	May	1,844,862,000	41,471,000	1,886,333,000	\$ 53,191,680	\$ 13,202,000	\$ 39,989,680
6	June	2,216,556,000	33,074,000	2,249,630,000	\$ 63,962,880	\$ 11,605,000	\$ 52,357,880
7	July	2,615,184,000	40,929,000	2,656,113,000	\$ 72,621,120	\$ 7,295,000	\$ 65,326,120
8	August	2,699,139,000	50,723,000	2,749,862,000	\$ 73,295,040	\$ 5,674,000	\$ 67,621,040
9	September	2,575,503,000	48,814,000	2,624,317,000	\$ 58,077,120	\$ 5,336,000	\$ 52,741,120
10	October	2,154,054,000	28,146,000	2,182,200,000	\$ 53,153,280	\$ 20,219,000	\$ 32,934,280
11	November	1,768,036,000	21,562,000	1,789,598,000	\$ 40,514,880	\$ 21,537,000	\$ 18,977,880
12	December	1,834,804,000	16,022,000	1,850,826,000	\$ 51,711,360	\$ 24,054,000	\$ 27,657,360
13	Total	24,852,020,000	356,267,000	25,208,287,000	\$ 637,992,000	\$ 164,462,000	\$ 473,530,000